

Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 SP-02 ICA-11 AID-05 EB-08
NSC-05 TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00
COME-00 FRB-03 INR-10 NSAE-00 XMB-02 OPIC-03
LAB-04 SIL-01 AGRE-00 OES-07 /110 W
-----077606 110418Z /21

R 110300Z APR 78
FM AMEMBASSY WELLINGTON
TO SECSTATE WASHDC 5333
INFO AMEMBASSY CANBERRA
AMEMBASSY MOSCOW
AMEMBASSY PARIS
AMCONSUL AUCKLAND POUCH

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E.O. 11652: N/A
TAGS: EEWT, ETRD, NZ, UR
SUBJECT: NEW ZEALAND-USSR JOINT TRADE COMMISSION MEETINGS
HARMONIOUS, BUT NOT TERRIBLY PRODUCTIVE

1. SUMMARY: THE THIRD BIENNIAL MEETING OF THE
NEW ZEALAND-USSR JOINT TRADE COMMISSION WAS HELD IN
WELLINGTON MARCH 30 THROUGH APRIL 3. WITH A TRADE
BALANCE WITH THE USSR 24-TO-1 IN ITS FAVOR, NEW ZEALAND
DID NOT EXPECT TO ATTAIN A GREAT DEAL IN THE TALKS;
ITS EXPECTATIONS WERE FULFILLED. THE SOVIETS WERE
ANXIOUS TO INCREASE THEIR SALES TO NZ AND TO REDUCE THE
IMBALANCE IN BILATERAL TRADE; THEY WERE ENCOURAGED TO
WORK HARD AT DOING SO. AS THE TRADE TALKS WERE BEING
HELD, SEPARATE NEGOTIATIONS IN WELLINGTON RESULTED IN
THE N.Z.-USSR AGREEMENT ON ACCESS FOR SOVIET FISHING
VESSELS TO NEW ZEALAND'S 200 MILE ECONOMIC ZONE;
COMMENTARY ON THOSE NEGOTIATIONS AND ON THE AGREEMENT
ARRIVED AT IS BEING REPORTED BY SEPTTEL. END SUMMARY.

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2. FROM MARCH 30 THROUGH APRIL 3, TALKS WERE HELD IN
WELLINGTON WITHIN THE FRAMEWORK OF THE N.Z.-USSR JOINT
TRADE COMMISSION. CHAIRING THE NEW ZEALAND TEAM WAS
HARRY HOLDEN, DEPUTY SECRETARY OF TRADE AND INDUSTRY
AND FORMERLY NZ'S COMMERCIAL COUNSELOR IN WASHINGTON.
HEADING THE SOVIET TEAM WAS N.N. SMELYAKOV, DEPUTY

MINISTER OF FOREIGN TRADE. THE COMMISSION WAS ESTABLISHED IN 1973, AND HAS MET PREVIOUSLY IN 1974 IN WELLINGTON AND IN 1976 IN MOSCOW.

3. IN RECENT YEARS, THE USSR HAS BECOME AN INCREASINGLY IMPORTANT MARKET FOR NEW ZEALAND. BY CONTRAST, NEW ZEALAND'S PURCHASES FROM THE USSR HAVE BEEN OF VERY MODEST VALUE.

THE FOLLOWING TABLE WILL ILLUSTRATE (VALUES IN DOLLARS N.Z. MILLIONS):

YEAR ENDED JUNE 30	NZ EXPORTS TO USSR	NZ IMPORTS FROM USSR	RATIO
1972	25.3	1.6	16:1
1973	30.2	1.3	23:1
1974	37.8	2.3	17:1
1975	45.4	4.0	11:1
1976	62.1	1.6	39:1
1977	144.1	6.0	24:1

GIVEN THIS PATTERN, NEW ZEALAND DID NOT EXPECT TO DERIVE SUBSTANTIAL GAINS FROM THE TALKS. THE N.Z. TEAM INDICATED AN INTEREST IN STABLE AND PREDICTABLE ACCESS FOR ITS EXPORTS OF BEEF, VEAL AND MUTTON AND REPORTEDLY FORMALLY REQUESTED THE CONCLUSION OF A MEDIUM-TERM AGREEMENT WHEREBY THE SOVIETS WOULD AGREE TO PURCHASE STATED LIMITED OFFICIAL USE

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MINIMUM QUANTITIES WITH PRICES BEING REVIEWED AND FIXED ANNUALLY; THEY ALSO INQUIRED WHETHER THE SOVIETS MIGHT BE INTERESTED IN PURCHASING MORE N.Z. DAIRY PRODUCTS, AND WHETHER THEY MIGHT HAVE USE FOR NEW ZEALAND'S "FLETCHER" AGRICULTURAL AIRCRAFT, EITHER THROUGH PURCHASE OR THROUGH LICENSING. IN NO CASE WAS THE USSR TEAM VERY FORTHCOMING, REPLYING THAT THE SOVIET UNION TRADITIONALLY BOUGHT FROM MANY SOURCES AND PREFERRED TO MAINTAIN FLEXIBILITY BOTH IN QUANTITIES BOUGHT FROM FOREIGN SUPPLIERS AND IN THE SOURCING OF SUCH PURCHASES. THEY DID INDICATE, HOWEVER, THAT THEY UNDERSTOOD NEW ZEALAND'S DESIRE FOR MORE PREDICTABILITY AND WOULD KEEP THAT DESIRE IN MIND. ON AIRCRAFT, THE SOVIETS SAID THEY ALREADY MANUFACTURE THE MODELS AND QUANTITIES THEY NEED.

4. FOR THEIR PART, THE SOVIETS EXPRESSED GREAT INTEREST IN BRINGING THEIR TRADE WITH NEW ZEALAND MORE NEARLY INTO BALANCE. THEY WERE PARTICULARLY ANXIOUS TO INCREASE THEIR SALES OF TRACTORS AND OTHER AGRICULTURAL EQUIPMENT, OF MACHINE TOOLS, HELICOPTERS, RAILWAY ROLLING STOCK, AND ELECTRICITY GENERATING AND TRANSMISSION

EQUIPMENT. FOR THE LATTER CATEGORIES, THE NEW ZEALAND TEAM PROMISED TO INSURE THAT APPROPRIATE CALLS FOR TENDERS BY THE ENERGY MINISTRY'S ELECTRICITY DIVISION AND THE NEW ZEALAND RAILWAYS WERE BROUGHT TO THE ATTENTION OF THE USSR EMBASSY IN WELLINGTON. FOR ALL CATEGORIES MENTIONED BY THE SOVIETS, THE NEW ZEALANDERS REMINDED THEM THAT THEIR SUCCESS IN THE NEW ZEALAND MARKET WOULD BE DEPENDENT ON OFFERING GOOD QUALITY PRODUCTS ON COMPETITIVE TERMS; EXCEPT FOR PARTS FOR AGRICULTURAL EQUIPMENT, NONE OF THE PRODUCTS MENTIONED BY THE SOVIETS IS SUBJECT TO IMPORT LICENSING RESTRICTIONS. THE SOVIETS ALSO REPEATED THEIR INTEREST IN INTRODUCING

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THE LADA AUTOMOBILE INTO NEW ZEALAND, BUT ACCEPTED THE N.Z. TEAM'S OBSERVATION THAT BEYOND THE 300 COMPLETELY BUILT-UP UNITS BEING ADMITTED, ANY FURTHER IMPORTS OF LADAS WOULD HAVE TO BE IN COMPLETELY KNOCKED DOWN (CKD) FORM FOR LOCAL ASSEMBLY. THE SOVIETS SUGGESTED THAT A WORKING GROUP ON BILATERAL TRADE IN INDUSTRIAL MACHINERY BE SET UP, BUT THE NEW ZEALANDERS SAID THEY SAW LITTLE NEED AND THE IDEA WAS DROPPED.

5. EMBASSY COMMENT: WHILE NEITHER SIDE GAINED OR GAVE MAJOR CONCESSIONS, THE TALKS WERE CONSIDERED USEFUL BY THE NEW ZEALANDERS. THE SIGNING OF A FISHERIES AGREEMENT BETWEEN THE TWO COUNTRIES ON APRIL 4 (TO BE THE

SUBJECT OF A SEPTTEL), WHILE NOT DIRECTLY RELATED TO THE TRADE TALKS, GIVES A MAJOR BOOST TO THE SOVIETS IN THEIR ECONOMIC RELATIONS WITH NEW ZEALAND; IF THE TRADE TALKS PRODUCED LITTLE, THE FISHING AGREEMENT WILL BE GENEROUS COMPENSATION. IN THIS RESPECT, AT LEAST, THE CHANCE SIMULTANEITY IN WELLINGTON OF THE SOVIET TRADE AND LIMITED OFFICIAL USE

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FISHERIES TALKS WAS AN UNFORTUNATE COINCIDENCE FOR NEW ZEALAND. UNLIKE THE ON-GOING NEGOTIATIONS WITH THE JAPANESE, THE GNZ HAD NO INTEREST OR MOTIVATION IN ITS DISCUSSIONS WITH THE SOVIETS TO INDICATE ANY RELATIONSHIP BETWEEN FISHERIES ACCESS AND TRADE. NEVERTHELESS, AND DESPITE THE HEAVY TRADE BALANCE IN ITS FAVOR, THE APPEARANCE OF EVEN-HANDEDNESS IS BELIEVED TO HAVE MOVED THE GNZ TO PRESS THE SOVIETS WITH THE QUESTION, "WHAT ARE YOUR AGRICULTURAL PURCHASE INTENTIONS FOR 1978?"

6. NEW ZEALANDERS TEND TO BE WARY OF SOVIET PRODUCTS GENERALLY, BUT THE VERY FAVORABLE PRICES WHICH THE SOVIETS HAVE BEEN ABLE TO OFFER FOR TRACTORS, MACHINE TOOLS, AND LADAS HAVE OVERCOME MUCH OF THE HESITATION ON THE PART OF NEW ZEALAND BUYERS. SOVIET EQUIPMENT IS GAINING THE REPUTATION OF BEING LESS SOPHISTICATED THAN THAT AVAILABLE FROM OTHER SOURCES, BUT CHEAPER AND OF ACCEPTABLE QUALITY. IF THE SOVIETS ARE SUCCESSFUL IN INCREASING THEIR EXPORTS TO NEW ZEALAND THROUGH RISING SALES OF THE PRODUCTS SPECIFIED IN PARA 4 ABOVE, THEY MAY WELL DO SO AT THE EXPENSE OF U.S. SUPPLIERS, FOR THE U.S. IS A SOURCE OF NEW ZEALAND IMPORTS OF ALL THE PRODUCTS CITED. HEALY

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE, MEETING REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 11 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978WELLIN01809
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780155-0133
Format: TEL
From: WELLINGTON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780468/aaaacftz.tel
Line Count: 205
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: c28f61b2-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 03 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3000546
Secure: OPEN
Status: NATIVE
Subject: NEW ZEALAND-USSR JOINT TRADE COMMISSION MEETINGS HARMONIOUS, BUT NOT TERRIBLY PRODUCTIVE
TAGS: EEWT, ETRD, NZ, UR
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/c28f61b2-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014